



LOS ANGELES DEPARTMENT OF COMMUNITY AND SENIOR SERVICES AUDIT

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Employment Development Department



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TABLE OF CONTENTS

	Page
Executive Summary	1
Findings and Recommendations	4
Finding 1	4
Finding 2	6
Finding 3	7
Finding 4	9
Finding 5	10
Finding 6	11
Finding 7	12
Auditee's Response	13
Appendix A – FY 2003/2004 Questioned Costs	A-1
Appendix B – FY 2002/2003 Drawdowns/Expenditures	B-1



CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

AUDIT AND EVALUATION DIVISION

LOS ANGELES DEPARTMENT OF COMMUNITY AND SENIOR SERVICES AUDIT

EXECUTIVE SUMMARY

The Employment Development Department's (EDD) Program Review Branch Deputy Director requested that the Audit and Evaluation Division (A&ED) conduct a fact-finding review for Fiscal Years (FY) 2002/2003 through 2004/2005 of the following:

- Incident Reports (IR)
- EDD Compliance Review Division's (CRD) Monitoring Reports
- A&ED's 2000 Audit Report
- Blue Consulting 2004 Audit Report
- Single Audit Report FY 2003/2004

The allegations are summarized in the following table:

Type of Report	Allegations	Number of Violations	Dollar Amount
IR 2003-CA-001 Single Audit 03/04	Lack of separation of duties	2	N/A
IR 2004-CA-000	Fabrication of fiscal/payroll documentation	1	N/A
IR 2004-CA-000 and 024 Monitoring Report 03/04 Blue Consulting Audit 2004	Misuse of Workforce Investment Act funds	4	N/A N/A N/A
IR 2004-CA-024	Billed expenditures and did not incur costs	1	N/A
A&ED Audit 2000 Monitoring Report 02/03 IR 2004-CA-024 Monitoring Report 03/04 Blue Consulting Audit 2004	Inadequate cost allocation	5	\$22,286 N/A N/A \$227,216 N/A
IR 2004-CA-024	Poor program management	1	N/A
A&ED Audit 2000 Single Audit 03/04 IR 2004-CA-024 Monitoring Report 03/04	Over/Under collected allowable administrative costs	4	\$24,606 N/A N/A \$4,000
Monitoring Report 03/04	Inadequate procurement policy	1	\$128,840
Monitoring Report 02/03 Monitoring Report 03/04	Inadequate accounting system	2	N/A \$2,444,972
Monitoring Report 02/03 Blue Consulting Audit 2004	Inadequate monitoring of sub-recipients	2	N/A N/A
A&ED Audit 2000 Monitoring Report 03/04	Lack proper accountability for equipment/inventory	2	\$77,602 N/A
Blue Consulting Audit 2004	Lack of internal controls	1	N/A

In April 2007, the A&ED completed the fact-finding review of the IRs and monitoring reports. Immediately following, the CRD requested that the A&ED expand the audit scope to include a 100 percent review of the Los Angeles Department of Community and Senior Services (LADCSS) Audit and its service providers' equipment. This limited-scope audit included a review of LADCSS' Workforce Investment Act (WIA) Programs and associated internal controls for the period of July 1, 2002 through June 30, 2005.

The A&ED conducted this audit under the authority of Title 20 Code of Federal Regulations (CFR), Section 667.410 and Title 29, Part 96, Section 96.41, Subpart A, Audits of States, Local Governments, and Non-Profit Organizations, "Access to Records." This audit was also conducted in accordance with LADCSS' policies and procedures; the WIA and its implementing regulations; Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations; OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments; and Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, Inc., as required by Government Code, Section 1236.

The A&ED performed a preliminary review of each allegation, which included a review of prior monitoring reports from the CRD to determine if any findings or concerns addressed in these reports substantiated all or parts of the allegations stated in the IRs. In addition, the A&ED reviewed its prior audit reports and the required single audit reports prepared by LADCSS' independent certified public accountants, to determine if there were any findings or concerns related to any of the allegations. An audit includes examining, on a test basis, evidence about LADCSS' compliance with these requirements, and performing procedures to the extent necessary to adequately provide a reasonable basis for an audit opinion.

In A&ED's opinion, the LADCSS has not complied fully with the requirements above. Specifically, A&ED's review disclosed that the LADCSS:

- Violated its own written policies and procedures for collecting and/or resolving questioned or disallowed costs from its service providers.
- Used a cost allocation plan and the applied methodology for FYs 2002/2003, 2003/2004, and 2004/2005 that was inappropriate.
- Did not reconcile WIA monthly drawdown of funds to actual monthly expenditures.
- Commingled WIA Title II Adult, Youth, and Dislocated Workers grant funds for FYs 2002/2003 and 2003/2004.

- Had various time card violations.
- Charged non-WIA work hours to the WIA grant during FY 2003/2004.

A material weakness is a reportable condition in which the design or operation of one or more internal control components do not reduce, to a relatively low level, the risk that non-compliance with the applicable laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to the program being audited may occur and not be detected timely by staff in the normal course of performing assigned functions.

The A&ED's consideration of the internal controls over program compliance would not necessarily disclose all matters in the internal control structure that are also considered to be material weaknesses. The A&ED believes that the material weaknesses described above are reportable conditions. These reportable conditions are detailed in the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the LADCSS and EDD management and is not intended to be and should not be used by anyone other than these specified parties.

TONIA LEDIJU, Chief
Audit and Evaluation Division

Date

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FINDINGS AND RECOMMENDATIONS

FINDING 1 The LADCSS violated its own written policies and procedures for collecting and/or resolving questioned or disallowed costs from its service providers.

The LADCSS provided a summary of its monitoring reports for FYs 2002/2003 through 2004/2005. For FY 2002/2003, all monitoring findings were resolved. For FYs 2003/2004 and 2004/2005, monitoring findings and questioned costs remain outstanding.

The A&ED reviewed the LADCSS monitoring reports for FYs 2003/2004 and 2004/2005. The results of the review are as follows:

- FY 2003/2004 The WIA total questioned costs identified are \$5,516,655.22. Of this amount, \$654,901.22 was resolved. The remaining unresolved questioned costs are \$4,861,754. See Appendix A, Page 1.
- FY 2004/2005 The WIA total questioned costs identified are \$98,017.55. Of this amount, \$164,237.04 was resolved. The LADCSS reported resolved questioned costs that exceed the total questioned costs in the amount of \$66,219.49. See Appendix A, Page 2.

On July 11, 2006, the A&ED provided the LADCSS with a summary of the above analysis to resolve the noted discrepancies. On September 8, 2006, the LADCSS disputed the total questioned costs of \$5,614,672.77 for both FYs.

According to the LADCSS for:

- FY 2003/2004 The remaining outstanding questioned costs are \$1,649,211.42. Of this amount, \$801,615.30 was resolved; resulting in \$847,596.12 unresolved questioned costs.
- FY 2004/2005 The remaining outstanding questioned costs are \$167,634.02. Of this amount, \$111,004.80 was resolved; resulting in \$56,629.22 unresolved questioned costs.

As a result of LADCSS' response, the A&ED requested additional documentation to substantiate how the claimed questioned costs were resolved. To date, the LADCSS has not provided adequate supporting documentation.

The LADCSS provided the following data:

- FY 2003/2004 The LADCSS received \$2,874 from the United Auto Workers Labor and Training Corporation and \$715 from the Communities and Schools of South Bay, Inc. The A&ED reviewed the cancelled checks and noted that both amounts were posted to the LADCSS' general fund account. The A&ED was unable to determine if the funds were returned to the appropriate WIA programs.
- FY 2004/2005 The LADCSS received \$205.18 from the Office of Samoan Affairs, Inc. Based on the accounting records reviewed, the A&ED was unable to determine how the funds were disbursed. The Career Planning Center sent a check for \$3,703.04 with instructions to charge the funds back to both the WIA Title II Adult and Dislocated Worker Program proportionately. The accounting records showed the funds were charged back to the Title II Adult Program only.

The LADCSS is:

- Not adhering to its own written policies and procedures regarding the resolution of questioned or disallowed costs.
- Unable to provide sufficient documentation supporting the amount of questioned costs it claims.
- Unable to provide evidence that it has resolved the amount of questioned costs claimed.

The lack of adherence to its own written policies and procedures results in the inability of the LADCSS to determine the resolution of questioned or disallowed costs, or the disposition of collected disallowed costs. This deficiency could result in lost, theft, and misuse of public funds.

The LADCSS' written Policy and Procedures, Section II, paragraph (D) on the Resolution of Questioned Costs and Collection of Disallowed Costs states in part, "CCD staff and responsible managers will determine whether questioned costs and payments are disallowed and the method of repayment."

The LADCSS' written Policy and Procedures, Section IV, paragraph (B)(3)(pg 4/29) states, "Documentation to justify questioned costs may consist of timecards, employment records, financial documents, or other 'hard' evidence that reported expenditures and performance are

consistent with contract and program requirements. The documentation must be maintained for the retention period required by each specific program or longer if the audit/investigation is not resolved and may be subject to State and Federal review.”

RECOMMENDATION The LADCSS did not provide adequate documentation to substantiate the amount of questioned costs or the amount it claims to have resolved. The A&ED recommends:

- EDD disallow \$5,516,655.22 in questioned costs for FY 2003/2004 and \$98,017.55 in questioned costs for FY 2004/2005.
- LADCSS follow its own written policies and procedures to resolve questioned costs and disallowed costs from sub-recipients and/or contractors.
- LADCSS maintain documentation that shows what programs were credited with the collected funds for FYs 2002/2003 and 2004/2005.

FINDING 2 The LADCSS’ cost allocation plan and the applied methodology for FYs 2002/2003 through 2004/2005 was inappropriate.

Based on IR 2004-CA-024, the LADCSS did not allocate costs appropriately to its WIA programs (Title II Adult and Dislocated Workers) using an acceptable cost allocation methodology. The A&ED noted that the LADCSS used a cost allocation system that relies on estimated expenditures to allocate costs across the various WIA programs. The LADCSS was not performing the required adjustments to ensure that estimated costs matched actual expenditures.

The A&ED met with staff from the Los Angeles County Auditor Controller’s (A/C) Office and discussed LADCSS’ cost allocation system. According to the A/C, the LADCSS completed the required adjustments of estimated costs to match actual expenditures for FYs 2002/2003 and 2004/2005.

The A&ED was unable to determine if there is an over/under billing of expenditures in the WIA program categories. The A/C staff stated that the LADCSS will not adjust expenditures for FY 2003/2004 because it would not be feasible or cost effective.

The OMB Circular A-122, Section C, (3)(a), Attachment E, states, “Where a(n) organization’s indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings.... Each grouping shall then be allocated individually to

benefitting {sic} functions by means of a base which best measures the relative benefits.”

RECOMMENDATION The A&ED recommends:

- LADCSS consult with its EDD Regional Advisor to develop a cost allocation plan that will fairly distribute administrative and program service costs for the WIA program.
- LADCSS adjust FY 2003/2004 estimated costs to match actual expenditures.

FINDING 3 The LADCSS did not reconcile WIA monthly drawdown of funds to actual monthly expenditures.

The A&ED reviewed the LADCSS’ summary of cash request receipts and compared them to EDD’s records of cash requests and found no discrepancies in the amounts of cash requested for the months selected for review. The review included the following:

- August 2002 The LADCSS provided documentation that supported the drawdown of funds totaling \$7,813,803. The documentation showed that \$2,280,091 was allocated to the Title II Adult Program; \$4,457,566 was allocated to the Dislocated Worker Program; \$1,006,781 was allocated to the Title II Youth Program; and \$69,365 was allocated to the Rapid Response Program.
- April 2004 The LADCSS provided documentation that supported drawdowns totaling \$4,655,463. The documentation showed that \$1,484,816 was allocated to the Title II Adult Program; \$898,735 was allocated to the Dislocated Worker Program; \$1,499,105 was allocated to the Title II Youth Program; and \$772,807 was allocated to special projects.
- May 2005 The LADCSS provided documentation that supported cash drawdowns totaling \$2,457,122. The documentation showed that \$528,692 was allocated to the Title II Adult Program; \$366,145 was allocated to the Dislocated Worker Program; \$1,536,750 was allocated to the Title II Youth Program; and \$25,535 was allocated to special projects.

Additional documentation provided showed how the funds were disbursed to the various WIA programs, including administrative and program costs for FYs 2002/2003 through 2004/2005. See Appendix B for specific drawdown of funds and expenditures.

The A&ED interviewed the appropriate accounting staff to determine whether any interest accrued on the WIA drawdown of funds.

According to LADCSS staff and the documentation reviewed, funding is based on a cost reimbursement system; therefore, no interest accrues on any drawdown of funds.

The LADCSS provided estimated expenditures for all WIA programs for the three FYs reviewed. The A&ED reviewed and analyzed the total expenditures for FYs 2002/2003 through 2004/2005 and compared total expenditures to total cash drawdowns and found the following:

- FY 2002/2003 Total expenditures amounted to \$49,623,687, while the total drawdown of funds was \$41,645,244. The result was a deficit of \$7,978,443.
- FY 2003/2004 Total expenditures amounted to \$24,949,002, while the total drawdown of funds was \$26,319,319. The result was excess cash of \$1,370,317.
- FY 2004/2005 Total expenditures amounted to \$24,514,187, while the total drawdown of funds was \$13,470,511. The result was a deficit of \$11,043,676.

Based on this review for FYs 2002/2003 and 2004/2005, the A&ED found that LADCSS exceeded its budget for WIA programs by \$19,022,119.

The LADCSS did not exceed its budget for FY 2003/2004. As stated in Finding 2, the LADCSS did not perform an adjustment for this FY. The A&ED was unable to determine whether there was an over/under billing of expenditures.

The LADCSS uses a budgeted methodology to estimate and allocate costs, as stated in Finding 2. The LADCSS did not perform the required adjustments to ensure that estimated costs matched actual expenditures. The A&ED reviewed its previously issued audit reports, Blue Consulting audit reports, and the Single Audit Report for FY 2003/2004. The LADCSS stated it was unable to reconcile WIA drawdown of funds to actual administrative costs. Because LADCSS was not performing the required adjustments, the likelihood of reconciling one month of expenditures to any drawdown of funds would not be feasible because of a flawed accounting system.

Title 29 CFR, Part 97.20, Section (a)(20), states in part, "...Fiscal control and accounting procedures of the State, as well as its sub-grantees and

cost-type contractors, must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and the prohibitions of applicable statutes.”

RECOMMENDATION The A&ED recommends that the LADCSS develop an acceptable plan to ensure that actual drawdown of funds are reconciled with actual expenditures on a monthly or yearly basis.

FINDING 4 The LADCSS commingled WIA Title II Adult, Youth, and Dislocated Worker grant funds for FYs 2002/2003 and 2003/2004.

Based on interviews with LADCSS staff and documentation, the A&ED reviewed and found:

- FY 2002/2003 Title II Adult and Dislocated Worker Programs’ administrative expenditures were charged to LADCSS’ WIA fund code 26618.
- FY 2003/2004 Title II Adult, Youth, and Dislocated Worker Programs’ administrative expenditures were charged to LADCSS’ WIA fund code 26618.

The LADCSS was not adjusting these costs to ensure that estimated amounts matched actual expenditures. As a result, the LADCSS may have exceeded the 10 percent limitation for administrative expenditures for each WIA program category.

The OMB Circular A-87, Attachment A, Section C, paragraph (3)(c), states, “Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.”

RECOMMENDATION The LADCSS is in the process of performing the necessary adjustments to ensure that estimated costs match actual expenditures. The A&ED recommends that the LADCSS continue to perform these adjustments for FYs 2002/2003 and 2003/2004, to ensure that each WIA program receives the appropriate benefit.

FINDING 5 The current inventory of equipment for the LADCSS contained items that could not be located. The inventory does not include all purchase orders and/or costs of equipment.

The A&ED interviewed LADCSS' Program Manager to obtain information about the LADCSS' procurement process and to determine whether a corrective action plan had been implemented to track equipment for the LADCSS and its sub-recipients. The LADCSS provided a copy of its revised procurement policies and procedures and an inventory of equipment for the LADCSS and its service providers. The A&ED informed LADCSS staff that the objective was to conduct a 100 percent inventory of equipment for the period July 1, 2002 through June 30, 2005. The A&ED reviewed and evaluated LADCSS' inventory of equipment to determine its accuracy, funding source used to purchase the equipment, and whether or not it could be used to locate and verify existing equipment. The review disclosed that the inventory report was inaccurate and not useful. The results of the review are as follows:

1	Total number of equipment items listed on inventory	1,373
2	Less duplicate items	5
3	Less salvaged items	44
4	Less total number of equipment items purchased outside the scope of the review	41
5	Less non-WIA equipment	58
6	Total Lines 2-5	148
7	Total number of equipment items remaining on list (adjusted inventory)	1,225
8	Total items located	0

The A&ED was unable to physically locate any of those items. The LADCSS staff concedes that they are unsure of the location of the items not found and the funding source used to purchase them. The A&ED verified through purchase orders that 24 items were purchased with WIA funds.

The LADCSS is not adhering to its written policies and procedures for tracking equipment. Without proper controls over equipment, items can be lost, stolen, or misused.

Title 29 CFR, Part 97.20, Section (b)(3), states in part, "The financial management systems of other grantees and sub-grantees must meet the

following standards: Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets....”

RECOMMENDATION The A&ED recommends:

- Equipment purchased during the review period of July 1, 2002 through June 30, 2005 be disallowed in its entirety.
- LADCSS reimburse the appropriate WIA program for all equipment purchased during the period covered by this review.

FINDING 6 The LADCSS had various time card violations.

The A&ED reviewed time cards for FYs 2002/2003 through 2004/2005 and found the following: of the 121 time cards reviewed with charges to the WIA grant for FY 2002/2003, 1 time card did not match the salary detail reports for September 2002, and 2 time cards were missing from the September 2002 payroll reports.

Of the 80 time cards reviewed with charges to the WIA grant for FY 2004/2005, 44 time cards (55 percent) were not signed by employees or approved by supervisors for the April 2005 pay period. According to the accounting section, the LADCSS has implemented an electronic time-reporting system and some time cards are processed electronically which might account for the lack of signatures.

The A&ED found one time card signed by an employee that was not approved by a supervisor or a manager, and one time card was turned in late and did not match the salary detail report for April 2005, but it was posted in the June 2005 salary detail report.

There appears to be a lack of internal controls since some of the LADCSS staff submitted their time cards electronically without appropriate signatures and approvals. This caused incorrect reporting and approval of time cards.

Title 29 CFR, Part 97.20, Section (b)(2), states, “The financial management systems of a grantee and sub-grantee must meet the following standards: Grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information

pertaining to the grant or sub-grant awards and authorizations, obligations unobligated balances, assets, liabilities, outlays or expenditures, and income.”

RECOMMENDATION The A&ED recommends the LADCSS:

- Ensure that all time cards are signed by employees.
- Ensure that all time cards are reviewed and approved by the appropriate supervisor or manager prior to submittal to the accounting section.
- Ensure the accuracy of time, number of time cards, and the posting of time reported in its accounting records.

FINDING 7 The LADCSS charged non-WIA work hours to the WIA grant during FY 2003/2004.

The A&ED reviewed LADCSS’ employee time cards for September 2002, March 2004, and April 2005 with charges to the WIA grant. No issues or concerns were found for the months of September and April. For the month of March, there were 135 time cards with 8,067 total hours. Of that amount, two time cards (one percent) had a total of 113 non-WIA hours (one percent) charged to the WIA grant.

The failure to verify the accuracy of time charged to the appropriate grant fund might result in mismanagement and misapplication of those funds and violation of applicable regulations and statutes.

Title 29 CFR, Part 97.20, Section (a)(2), states in part, “Fiscal control and accounting procedures of the State, as well as its sub-grantees and cost-type contractors, must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and the prohibitions of applicable statutes.”

RECOMMENDATION The A&ED recommends:

- LADCSS review the two time cards and make the necessary adjustments to the appropriate grant fund.
- LADCSS ensure that employee work hours are accurately charged to the appropriate grant fund.



AUDITEE'S RESPONSE

FINDING 1 **The LADCSS violated its own written policies and procedures for collecting and/or resolving questioned or disallowed costs from its service providers.**

AUDITEE'S RESPONSE "At a conference held on June 11, 2008, EDD and LADCSS came to a tentative agreement that the amount of unresolved questioned costs for 2004/2005 \$69,421.22. A tentative agreement was also reached that the 2003/2004 unresolved questioned costs is \$1,441,507.67. Included in the unresolved questioned costs for FY 2003/2004, is \$683,879 for two sub-recipients agencies (SER Jobs for Progress \$298,810 and Basic Adult Spanish Education, \$385,069 respectively). These agencies are no longer in business and are not funded by the LADCSS. We have been unsuccessful in obtaining documents to resolve the questioned costs for these two agencies. We have included the documentation to support the due diligence efforts by the LADCSS. For the remaining questioned costs, the LADCSS plans to resolve these costs by December 31, 2008. Attached are the lists of agreed upon Revised Questioned Costs for FY 2003/2004 and 2004/2005. With regard to the following policies and procedures, the LADCSS is in the process of reevaluating its monitoring and resolution processes. We anticipate that any changes will be completed by December 31, 2008. Also attached is documentation indicating the appropriate programs were credited with collected funds, or that the funds were reimbursed to the EDD."

AUDITOR'S COMMENTS The LADCSS Corrective Action Plan adequately resolves this finding. However, it remains open until all elements of the plan are implemented including the resolution of the questioned costs for the two former sub-recipients. The A&ED will conduct a follow-up review at a later date to verify implementation of the plan.

FINDING 2 The LADCSS' Cost Allocation Plan and the applied methodology for FYs 2002/2003 through 2004/2005 were inappropriate.

AUDITEE'S RESPONSE "Attached is the 2006/2007 Cost Allocation Plan, which systematically and fairly distributes administrative and program services costs for WIA programs. Also attached is the 2007/2008 Cost Allocation Plan. Also attached is documentation reflecting that the 2003/2004 cost allocation was adjusted to match actual expenditures."

AUDITOR'S COMMENTS This finding is resolved and closed. The A&ED will conduct a follow-up review at a later date to verify LADCSS' consistent use of its Cost Allocation Plan.

FINDING 3 The LADCSS did not reconcile WIA monthly drawdown of funds to actual monthly expenditures.

AUDITEE'S RESPONSE "The LADCSS has developed policies and procedures to ensure drawdown funds are reconciled monthly. Those policies and procedures were reviewed by EDD's monitoring staff during an on-site visit on June 16 through June 27, 2008."

AUDITOR'S COMMENTS This finding is resolved and closed. The A&ED will conduct a follow-up review at a later date to verify LADCSS' consistent application of its written policies and procedures.

FINDING 4 The LADCSS commingled WIA Title II Adult, Youth, and Dislocated Workers grant funds for FYs 2002/2003 and 2003/2004.

AUDITEE'S RESPONSE The LADCSS attached documentation for the cost allocation for FY 2002/2003 reflecting that actual expenditures were used to ensure a systematic and fair distribution of costs for WIA programs. The documentation for Finding 2 Recommendation includes the cost allocation for 2003/2004 reflecting the same methodology. The documentation for Finding 2 also includes cost allocation plans for FYs 2006/2007 and 2007/2008 to show LADCSS consistently uses this methodology.

AUDITOR'S COMMENTS This finding is resolved and closed. The A&ED will conduct a follow-up review at a later date to verify LADCSS' consistent use of this cost allocation methodology.

FINDING 5 The current inventory of equipment for the LADCSS contained items that could not be located. The inventory does not include all purchase orders and/or costs of equipment.

AUDITEE'S RESPONSE "The numerical listing of 1,373 items compiled by EDD contains items that are outside the audit period of July 1, 2002 through June 30, 2005. To provide a correct listing of equipment purchased during the review period, we are pulling all invoices for equipment purchased with WIA grant funds for FYs 2002/2003 through 2004/2005. We will compare those invoices to the existing equipment inventory list for location or disposition. We have already located equipment EDD staff were unable to locate and will verify that they are from the audit period reviewed. Because procurement records for FY 2002/2003 were stored in a private facility, we have had a little difficulty retrieving them from storage. We have obtained and compared the invoices for FYs 2003/2004 and 2004/2005 and note there are only eleven items of equipment purchased for FY 2004/2005. We anticipate submitting our full reconciliation to EDD in response to this finding by September 1, 2008. The LADCSS is improving its inventory control in two phases. LADCSS has contracted with Tech Track for a bar code system that will allow LADCSS to tag each piece of equipment and to determine in real time through computer software, the year the equipment was purchased, the initial costs, the funding source and the assigned location or employee, as well as other pertinent information. Phase One is to implement the system internally on all LADCSS operated programs. LADCSS employee training on the new system will begin July 28, 2008, and the system will be implemented shortly thereafter. In Phase Two, the program will be extended to cover all sub-recipient agencies. The LADCSS anticipate Phase Two will be implemented by mid to late FY 2008/2009."

AUDITOR'S COMMENTS The LADCSS' Corrective Action Plan appears adequate to resolve this finding. The LADCSS still needs to provide the A&ED with accountability and disposition of the 1,225 pieces of equipment listed on its inventory. The A&ED will continue to work with the LADCSS to resolve this issue. This finding remains open.

FINDING 6 The LADCSS had various time card violations.

AUDITEE'S RESPONSE The LADCSS states, "Its Human Resources (HR) Division has updated its policies and procedures to ensure time cards are signed by each employee and reviewed and approved by the appropriate supervisor or manager prior to submittal to the accounting section. HR staff received training in these formal procedures on July 8, 2008. HR has also issued instructions to all LADCSS employee on time cards requirements and procedures. The Accounting Section also has codified its own policies and procedures to ensure all time cards are accounted for and signed. To ensure compliance, a monthly status report is provided to the Fiscal Officer who will discuss the report with the LADCSS Chief Deputy if warranted."

AUDITOR'S COMMENTS This finding is resolved and closed. The A&ED will conduct a follow-up review at a later date to ensure implementation of the stated corrective action.

FINDING 7 The LADCSS charged non-WIA work hours to the WIA grant during FY 2003/2004.

AUDITEE'S RESPONSE The LADCSS states, "Because these particular time cards were completed in March 2004, it is not practical to make any adjustments at this late date for the dollar amounts involved. The LADCSS Human Resources Division has updated its policies and procedures to hold supervisors accountable to ensure employee work hours are charged to the appropriate grant."

AUDITOR'S COMMENTS This finding is resolved and closed. The A&ED will conduct a follow-up review at a later date to ensure implementation of the stated corrective action.

2003/2004 Questioned Costs

Appendix A

Agency	Outstanding Questioned Costs	Agency	Questioned Costs Claimed to be Resolved by LADCSS
Assert	\$ 72.50	Affiliated Computer Svs	\$ 431.32
CLT	\$ 174.19	Antelope Vly	\$ 46,231.63
	\$ 9,496.28		\$ 38,769.70
	\$ 17,964.93	Basic Adult Spanish Ed	\$ 4,889.00
	\$ 181.00		\$ 3,637.00
	\$ 735.00	City of Hawthorn WIB	\$ 3,700.00
Chicana Svs	\$ 14,369.57		\$ 16,461.00
	\$ 500.00		\$ 49,779.00
Childrens Collective Inc	\$ 13,228.53	Community Collge Foundation	\$ 38.87
Compton Career Link	\$ 1,170.68		\$ 75.00
	\$ 80.13	Innovative Educ Sys	\$ 19.34
Community in School of SB	\$ 236.91	National Office of Samoan Affairs	\$ 205.18
	\$ 8,610.48	Total	\$ 164,237.04
Foothill WIB	\$ 228.10		
	\$ 228.10		
Hub Cities	\$ 1,388.58		
LA Community College Dist	\$ 2,361.00		
Urban League Pomona	\$ 3,055.62		
Urban League SC	\$ 3,115.83		
Mexican Amer Opport Found	\$ 1,197.19		
New Directions Inc	\$ 2,170.00		
SCR Jobs for Progress	\$ 4,540.00		
	\$ 836.30		
	\$ 72.71		
Streetlights	\$ 9,234.12		
Vaness Recovery House	\$ 2,561.80		
	\$ 208.00	LADCSS provided evidence of resolution	
Total	98,017.55	National Office of Samoan Affairs	\$ 205.18
	\$ 164,237.04	Career Planning Center	\$ 3,703.04
Total Questioned Costs from Monitoring Findings	\$ 262,254.59		\$ 3,908.22
Total Questioned Cost less amt. resolved by LADCSS	\$ 258,346.37		

2004/2008 Questioned Costs

Appendix A

Agency	Outstanding Questioned Costs	Agency	Questioned Costs Claimed to be Resolved by LADCSS
Antelope Vly	\$ 38,134.61		
	\$ 53,114.00		
	\$ 425.07		
Assert	\$ 370.00	Assert	\$ 9,590.00
	\$ 2,744.00		\$ 62,530.00
	\$ 20,458.04		
Basic Adult Ed	\$ 4,783.06	Basic Adult Ed	\$ 1,346.00
	\$ 380,286.00		\$ 537.00
			\$ 713.00
Chicana	\$ 16,716.20	CBD College	\$ 51.00
	\$ 22,620.00	Career Partner	\$ 67,751.00
			\$ 40,828.00
Compton Career Link	\$ 27,106.00		\$ 275.00
	\$ 1,205.00		\$ 300.00
	\$ 495.00	Communities in School	\$ 358.00
	\$ 2,328.00		\$ 357.00
Door of Hope	\$ 2,630.00	Compton Career Link	\$ 456.00
	\$ 273,067.00	El Proy	\$ 3,051.00
Hub Cities	\$ 52,837.23		\$ 10,166.13
	\$ 32,793.33	Urban League SC	\$ 2,600.00
	\$ 17,076.94	LA Works	\$ 75.00
			\$ 135,909.00
Urban League Pomona	\$ 84,158.00	Office of Samoan Affairs	\$ 7.00
Urban League SC	\$ 22,835.00		\$ 125.00
	\$ 8,819.00	SB WIB	\$ 31,824.00
	\$ 2,595.00	Soledad Enrichment	\$ 400.00
	\$ 350.00		\$ 3,351.14
	\$ 225,000.00		\$ 195.75
SCR Jobs for Progress	\$ 298,810.00		\$ 417.06
South Bay WIB	\$ 3,226,228.00	Vaness Recovery House	\$ 19,224.00
	\$ 18,752.00		\$ 1,819.00
	\$ 7,149.00		\$ 332,173.00
Soledad Enrichment Action	\$ 766.00	Wm Hart School Dist	\$ 311.14
Streetlights Production	\$ 11,500.00		\$ 190.00
	\$ 203.41	Youth Opportunities Unlimited	\$ 54.00
			\$ 37.00
TTI America	\$ 1,407.00		
	\$ 3,992.11		
Total	\$ 4,861,754.00	Total	\$ 654,901.22
		LADCSS provided evidence of resolution	
		United Auto Workers Labor & Training	\$ 2,874.00
		Communities in School	\$ 715.00
Total Questioned Costs from Monitoring Findings	\$ 5,516,655.22		\$ 3,589.00
Total Questioned Costs less amt. resolved by LADCSS	\$ 5,513,066.22		

April 2002
Drawdowns/Expenditures

Appendix B

	A	B	C	D	E	F
1	Drawdowns	Totals				
2	Adult	2,280,091				
3	Dislocated	4,457,566				
4	Youth	1,006,781				
5	Rapid Response	69,365				
6	August 2002 Drawdowns	7,813,803				
7	Expenditures		Exenditure Reports			
8	K Expenditures (Adult)	15,780,297	12,961,443	2,459,857	358,997	
9	K Expenditures (Dislocated)	12,610,000	10,752,447	17,914	1,839,639	
10	K Expenditures (Youth)	14,223,756	503,962	13,719,794		
11	K Expenditures (RR)	65,198	54,782	10,416		
12						
13			Program	Administrative		
14	Admin Expenditures Adult (split between A, D, and Y)	2,308,413	833,741	1,474,672		
15	Admin Exp Dislocated (split between A, D, and Y)	1,888,468	833,741	1,054,727		
16	Admin Exp Youth (split between A, D, & Y)	1,169,793		1,169,793		
27						
18			A	D	Y	RR
19	Accruals	1,577,762	966,240	403,659	203,696	4,167
20	Total YTD Expenditures	49,623,687				
21						
22						
23			A	D	Y	
24	addtl PY draw downs	33,831,441	12,653,701	6,587,276	14,590,464	
25	August 2002 draw downs	7,813,803				
26	Total YTD draw downs	41,645,244				
27						
28	*833,741 only split between A & D					
29	A=Adult					
30	D=Dislocated Workers					
31	Y=Youth					
32	K=Contractors					
33	YTD= Year to Date					
34	RR= Rapid Response					
35			Column B=C+D+E+F			

April 2004
Drawdowns/Expenditures

Appendix B

	A	B	C	D	E	F
1	Drawdowns	Totals				
2	Adult	1,484,816				
3	Dislocated	898,735				
4	Youth	1,499,105				
5	Healthcare	770,942				
6	Wildfire	190				
7	Navigator	1,675				
8	April 2004 Drawdowns	4,655,463				
9	Expenditures					
10	K Expenditures (Adult)	6,169,428				
11	K Expenditures (Dislocated)	4,794,961				
12	K Expenditures (Youth)	6,987,107				
13	K Expenditures (HealthCare)	1,682,356				
14	K Expenditures (Disaster)	413				
15						
16			Program	Administrative		
17	Admin Expenditures Adult (split between A, D, and Y)	1,214,187	310,197	903,990		
18	Admin Exp Dislocated (split between A, D, and Y)	810,439	281,526	528,913		
19	Admin Exp Youth (split between A, D, & Y)	827,470	144,225	683,245		
20	Admin Exp HealthCare	185,478	185,478			
21	Admin Exp Disaster	413	413			
22	Admin Navigator	1,675	1,675			
23			A	D	Y	Health Care
24	Accruals	2,275,075	1,008,294	674,886	59,172	532,723
25	Total YTD Expenditures	24,949,002				
26						
27			A	D	Y	Health Care
28	addtl PY draw downs	21,663,856	8,391,909	4,790,569	6,080,821	2,400,557
29	April 2004 draw downs	4,655,463				
30	Total YTD draw downs	26,319,319				
31	A=Adult					
32	D=Dislocated Workers					
33	Y=Youth					
34	K=Contractors					
35	YTD= Year to Date		Column B=C+D+E+F			

2004/2005
Drawdowns/Expenditures

Appendix B

	A	B	C	D	E	F	G
1	Drawdowns	Totals					
2	Adult	528,692					
3	Dislocated	366,145					
4	Youth	1,536,750					
5	Navigator	24,321					
6	Access Grant	1,214.					
7	May 2005 Drawdowns	2,457,122					
8	Expenditures						
9	K Expenditures (Adult)	5,324,929					
10	K Expenditures (Dislocated)	4,888,758					
11	K Expenditures (Youth)	6,278,914					
12	K Expenditures (Navigator)	39,429					
13	K Expenditures (Access Grant)	0					
14			Program	Administrative			
15	Admin Expenditures Adult (split between A, D, and Y)	1,509,268	1,118,803	390,465			
16	Admin Exp Dislocated (split between A, D, and Y)	1,294,856	917,919	376,937			
17	Admin Exp Youth (split between A, D, & Y)	951,688	157,533	794,155			
18							
19			A	D	Y	N	
20	Accruals	4,226,345	1,267,083	1,062,237	1,894,336	2,689	
21	Total YTD Expenditures	24,514,187					
22							
23			A	D	Y	N	A
24	Addtl FY drawdowns	11,013,389		6,243,106	4,767,396	1,673	1,214
25	May 2005 drawdowns	2,457,122					
26	Total YTD drawdowns	13,470,511					
27							
28	A=Adult						
29	D=Dislocated Workers						
30	Y=Youth						
31	K=Contractors						
32	YTD= Year to Date						
33	N=Navigator						
34			Column B=C+D+E+F				

The California State Employment Development Department is a recipient of federal and state funds, is an equal opportunity employer/program and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act.

Special requests for alternate formats need to be made by calling: (916) 654-7000.